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SMALL BUSINESS

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April 8, 1999

Donald Hammond  
Office of the Assistant Fiscal Secretary  
U.S. Department of Treasury, Room 2112  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

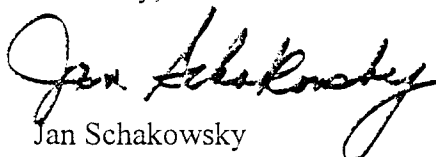
Dear Mr. Hammond:

I oppose the involvement of Payment Service Providers, such as check cashers, currency exchangers and other non-federally insured institutions, in the Electronic Funds Transfer (EFT) program. This includes voluntary accounts outside of the Electronic Transfer Account (ETA) option.

Payment Service Providers would cut off "unbanked" individuals from a chance to obtain meaningful bank accounts through the EFT program, while at the same time exposing them to risk and high cost. Banks and thrifts would take payments received through the EFT program and put them into an account under the name of a Payment Service Provider. This account may or may not have federal deposit insurance. The Payment Service Provider would then disperse payments to recipients while charging them enrollment fees, monthly fees, and check-cashing fees. Finally, these "accounts," which exist outside the mainstream banking system, would do nothing to increase the involvement of low-income people in mainstream banking.

The EFT program has great potential for underserved neighborhoods by providing banks accounts to "unbanked" individuals. However, this potential can be washed away by the costs and risks that come with currency exchanges. Therefore, I believe that Payment Service Providers must be banned from participation in the EFT program.

Sincerely,

  
Jan Schakowsky  
Member of Congress